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Tom Bloom

Community Banking: Filling a Niche Profitably

After Winning with Service, Small Banks Want New Powers

By JAMES R. KRAUS

CONTRARY to forecasts that shrinking profit margins, interstate banking, and mergers and acquisitions would drastically reduce their number by the end of the decade, community banks are alive and kicking.

But as new local banks are chartered and existing ones take stock of the developments, community bankers say the question is, "Where do we go from here?" Specifically, they are trying to determine what businesses to pursue and what powers they will need.

The question takes on added importance because of the large number of institutions involved. Although it is easy to quibble over what constitutes a community bank, small, locally oriented institutions constitute the vast majority of commercial banks in the United States. And industry officials say that while consolidation is continuing, it is unlikely to pose a threat to community banking.

"We've gone through seven years of aggressive deregulation, and community banks will be digesting this for another seven years," says Kenneth Guenther, executive vice president of the Independent Bankers Association of America. One of the worst downturns in certain sectors of the American economy in many years — agriculture and energy in particular — has made it even harder to adjust to deregulation, he says.

The Federal Deposit Insurance Corp. listed 11,582 commercial banks with assets of less than $100 million as of Dec. 31, 1986. The agency insured a total of 14,689 commercial banks, trust companies, and savings banks as of that date. The banks with less than $100 million in assets accounted for $423.14

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AN American Banker SPECIAL FEATURE

More Community Banking Stories
Pages 9,11

Heeding Fundamentals Is Key To Health of Community Banks

By JAMES R. KRAUS

RETURN on assets among the nation's most profitable community banks improved broadly during the first nine months of last year, according to the *American Banker*'s most recent survey.

Bankers credit the improvement to conservative investment strategies, a decline in nonearning assets, low overheads, stable employment practices, and the exploitation of market niches.

Tables listing the nation's top 100 community banks begin on page 17.

Executives at some of the top-earning community banks insist they haven't done anything revolutionary.

"The bank itself hasn't changed any policies," says Gary E. Sherwood, president of the National Bank of Stamford, N.Y. The National Bank of Stamford came in first in profitability among independently owned, federally insured commercial banks with assets between $50 million and $175 million.

But despite the bank's high ranking, it was one of the few to show a significant drop in return on assets. The bank's ROA fell to 3.61% for the nine-month period ended Sept. 30, 1987, compared with 4.11% for the previous year, mainly as a result of changes in tax allowances for loan losses under the 1986 tax reform act, according to Mr. Sherwood.

He maintains that basic, bread-and-butter banking works for his institution. "We try to keep things simple.

Fundamentals: Page 8 ➡

Top Five Community Banks

National Bank of Stamford, NY	3.61%
Putnam Cty. Nat'l Bank, Carmel, NY	3.47%
McDowell Cty. Nat'l Bank, Welch, WV	3.46%
Bank of Horton, KS	3.41%
Citizens Bank, Delavan, WI	3.00%

Based on return on average assets using annualized net income from first nine months of 1987.
Source: ADP Data Services, New York

Today

The merger of Electronic Data Systems Corp. and MTech Corp. is expected to be completed by the end of the month, forming the biggest provider of data processing services to the financial community. ——2

Chemical Bank filed the first bank-led underwriting of asset-backed securities since the moratorium on new powers ended March 1. The bank plans to underwrite $200 million of securities backed by its automobile and truck loans and hopes to complete the deal by early May. ——3

NEWS MONDAY

J.R. Nunn embarks on a yearlong term as president of the Independent Bankers Association of America. 12

Many officials oppose a merger of the federal insurance funds — but still the talk continues, in Washington Briefing. —— 14

COMMENT

Banking has regained its luster following the market crash, writes Dr. Paul S. Nadler. ——4

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BANKING TRENDS

Banks' Luster Reviving as Wall Street's Allure Fades

By DR. PAUL S. NADLER

BLACK MONDAY has changed a lot of our lives and a lot of our attitudes. The image of the Wall Street tiger with his red suspenders making corporate executives cringe before his utterances — even though the exec might be two decades older than the investment banker — has withered away.

Some of the Wall Street houses that only recently looked omnipotent and impenetrable have been shown to have weaknesses. And many of the people who had come to expect that they would always be in the privileged class have found that this was not to be.

In typical style, the press has summed it all up in the simple statement that "the yuppie has become the couch potato" — watching TV and wondering where all the glory went.

But as we reevaluate Wall Street and its role in society, several major ideas come to mind that are important for the rest of society.

And we have to reevaluate how we got into a situation in which a small group of people have been paid so much more than the rest of us for doing a day's work.

Sure, brokerage and investment banking takes skill, nerves, and a willingness to risk capital. But it is hard to believe that the skills of Wall Street people were so much better than those of people doing similar jobs in banks and that these Wall Street people were entitled to salaries four to five times higher than what bankers were paid for their work.

Yet this was the case. And not everyone has gotten the word yet that these days are over.

A good friend of mine, president of a regional investment house, advertised for bank stock traders. He was amazed to find that even after Black Monday, applicants would come into his office and say, in all seriousness, "All I need is $500,000 a year to start work here."

And what is beginning to be revealed is that these high salaries in retail brokerage operations came out of the hides of the unsuspecting, trusting customers.

Everyone has his stories of how Wall Street worked before Black Monday. Some of mine include the following:

• A widow reported she had planned to raise her daughter using $140,000 from an insurance policy. Her broker, with a major firm of national stature, placed $80,000 in a tax shelter land deal that turned sour. She lost the $80,000.

• Another woman was placed into such an illiquid position that all of her

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Nadler Says:

Sure, brokerage and investment banking take skill, nerves, and a willingness to risk capital. But it is hard to believe that the skills of Wall Street people were so much better than those of people doing similar jobs in banks.

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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OVERVIEW

Official Signs of Economic Boom Are as Real as a Three-Dollar Bill

By H. ERICH HEINEMANN

AN UGLY RUMOR is floating around, probably fostered by a disaffected Democratic presidential candidate, that the American economy is on the verge of a boom. Employment is supposed to be surging. The shock of the October stock market crash has allegedly worn off.

If this were true, consumers would come streaming back to the stores. Some sectors in heavy industry are in fact running flat out, and a few companies are turning down export opportunities to accommodate long-standing domestic customers.

Doesn't that sound like a forecast of nice Republican weather? Well, it isn't. The U.S. economy is running close to the limit of its effective capacity at present. Should business activity turn out to be anywhere near as strong as the bulls believe, the Federal Reserve would be forced to hit the brakes just in time for the presidential campaign. Interest rates would soar, and if history is any guide, there would be a few new faces wandering around the White House.

Vice President George Bush can relax, at least as far as the economy is concerned. If Mr. Bush walks away with the Republican nomination, as now appears probable, he can look forward to remarkably sunny economic skies next fall.

Mr. Bush can count on his good friend Alan Greenspan, chairman of the Federal Reserve, to keep on pumping money into the economy right up through Election Day. Mr. Greenspan's prickly proclamation of Federal Reserve independence the other day was good camouflage for a typical election-year round of easy money.

The risk that the crunch in the stock market was a harbinger of a really serious economic downturn has always been minuscule. Business activity has certainly slowed down (consumer spending is already in hibernation). However, it is now an open question whether this adjustment will be officially classified as a recession.

Recent economic reports on employment and consumer borrowing appeared to suggest that a new boom is already under way. In fact, these statistics were about as genuine as a three-dollar bill. Most of the half million new jobs that the economy was reputed to have created in February were a statistical fiction — a flight of fancy, if such is possible, at the Bureau of Labor Statistics.

The New York Times, a leading journal of economic disinformation, reported in a large headline that consumer credit soared 36% during January. In the real world, by contrast, consum-

Overview: Page 22 ➡

Heinemann Says:

Most of the half million new jobs that the economy was reputed to have created in February were a statistical fiction.

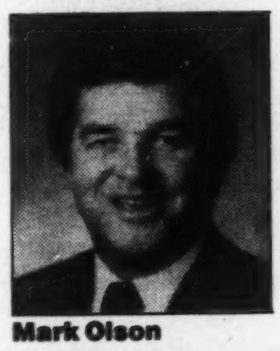
Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., an investment banking firm in New York.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 22.

1. The Connecticut Department of Banking has filed suit in federal court against the First National Bank of Stamford and the Office of the Comptroller of the Currency. On what grounds does the state regulator hope to force the bank to give up its 18-month-old courier service that picks up customers' deposits?

2. Mark W. Olson, former president of the American Bankers Association, will soon leave his post as president and chief executive officer at Security State Bank of Fergus Falls, Minn., for a new position in Washington. Where will the 14-year banking veteran hang his hat after May 1?



Mark Olson

3. As the battle for control of Federated Department Stores continues between R.H. Macy & Co. and Campeau Corp., Macy's has named Citibank as third agent in a loan to finance its bid. What bank might finance Campeau's rival bid?

4. A 1975 suit brought by the state of California accused the Bank of America of violating the state's unclaimed property law. The suit claimed the bank withheld interest from inactive accounts and made little effort to locate account holders. Along with payments of $35.7 million, how did the bank finally settle the 13-year-old lawsuit?

5. Analysts at Bear, Stearns & Co. have identified 15 banking companies that may be vulnerable to hostile takeover bids because of cheap stock prices and other attractions such as healthy fee income. Name the largest bank, which is also the only money center institution, on the Bear Stearns list.

6. The BuzzardCard, a recent entry in the affinity bank card markets, is a joint effort of AmeriTrust Corp., Cleveland, and a local FM radio station. What shared interest of consumers does this card hope to tap? (Hint: The card has neither wattles nor a beak.)

7. The $10.8 billion recapitalization for the Federal Savings and Loan Insurance Corp. falls short of even the most conservative estimate of the cost of putting the thrift industry back on its feet. Yet industry trade groups claim that the interest on that amount in bonds is all that member thrifts can support. How does Eugene Sherman, chief economist of the Federal Home Loan Bank of New York, respond to this claim?

8. Last year, South Africa was the dominant theme of socially motivated shareholder proxy resolutions at annual meetings of big banks. What issue is expected to take top billing this year, according to the Interfaith Center on Corporate Responsibility, the Council on Economic Priorities, and the Investor Responsibility Research Center Inc.?

9. The National Association of Realtors surveyed 3,200 households to determine whether the most important component of the good life is a happy marriage, owning a home, a car, a color TV set, or having a good job. Which factor came out on top?

— Robert Paul Molay

Community Banking: Filling a Niche Profitably

Fundamentals

Continued from Page 1

We don't get wound up in a lot of fees," Mr. Sherwood says.

Approximately $17 million to $18 million of the bank's nearly $61.6 million in assets at the end of September were invested in tax-free municipal bonds, around $18 million in Government National Mortgage Association securities, and the balance in mortgages and some commercial and consumer loans, he says. Like many small, profitable community banks, the Stamford bank maintains a high capital level — 20% of assets.

At another top earner, the $174.5 million-asset Pioneer Trust Bank NA in Salem, Ore., "a compact, efficient operation" contributes to success, explains chairman Stuart Compton. "We've never been overambitious, and we're very conservative in lending.

"We don't take risks unless we know them. And we cross-train people so we can maintain extreme flexibility among personnel."

Pioneer, the sixth most profitable bank among the top 100 community banks according to the latest *American Banker* survey, posted a 2.95% ROA over the first nine months of last year, up from 2.3% for the full year in 1986.

About one-third of the bank's total assets are in loans, roughly $40 million in U.S. Treasury notes with maturities spread between one and four years, and the balance in tax-exempt instruments. "Our method of operations is that we don't fiddle around with securities. We will trade in that area, but no further," Mr. Compton says.

Caution in lending is important at another bank surveyed. "We're very careful about loans," says S.D. Hardin, president of McDowell County National Bank in Welch, W.Va. McDowell is the nation's third-ranked community bank, with a 3.46% return on assets. "I guess you'd have to call us conservative."

McDowell County, located in the heart of an economically depressed former coal-mining region, had little loan demand last year and did not extend any loans of more than $20,000. The bank keeps about half of its $101.6 million in assets in tax-free municipals and the other half mostly in government securities. Last year, Mr. Hardin said, McDowell paid out more than $1 million in dividends and plowed some $2 million back into capital, boosting its capital-to-asset ratio to nearly 25%.

One of the star performers among community banks turned out to be Bank of Horton, Kan. Horton went from a 0.89% return on assets in 1986 to 3.41% in 1987, with the rise largely driven by guaranteed student loan originations.

At one point last year, says Vance B. Norris, chairman and president of the bank, assets climbed to $150 million before dipping by some $80 million through sales of the loans in the secondary market.

The loans carry the current three-month Treasury bill rate plus 3.25% interest. "We had to turn business away. It became the tail that wagged the dog," Mr. Norris says. The bank has added 112 employees to the 39 it formerly employed, and this year plans to cope with rising volume by separating its regular fixed-rate residential real estate loan business from student loan originations.

According to "Bank Performance Report 1988," a recently released survey by Olson Research Associates of Greenbelt, Md., banks with more than $1 billion in assets suffered a slight decline in their average return on assets, to 0.81% in 1987 from 0.83% in 1986. Banks with less than $100 million in assets, on the other hand, boosted their ROA to an average 0.81% in 1987 from 0.69% in 1986, mainly as a result of improved credit quality.

"In terms of profitability, 1987 does represent a turnaround," says Kyle Duckers, regional representative with the consulting group. But he also noted that return on assets for small banks is still well below the 1981 levels of 1.14% and 1.13% in 1982.

Mr. Duckers cited three other developments that point to a healthier situation among small banks:

- The provision for loan losses as a percentage of total income fell to 5.5% last year from 7.3% the year before.
- Loan-loss reserves reached about two-thirds of nonperforming assets, compared with less than one-half in 1983 and one-third in 1982.
- Overhead in proportion to earning assets fell to 2.59%, the lowest level in 10 years. The percentage is based on noninterest expense minus noninterest income, divided by total earning assets and excluding provisions for loan losses.

In a separate study conducted last year by First Manhattan Consulting Group Inc., on behalf of the American Bankers Association, overall performance among community banks in no way differs significantly from other banking organizations with more assets. Roughly 25% of community banks showed a return on equity of 15% or better, while 75% were below that figure.

According to the Federal Deposit Insurance Corp., however, return on yearend assets for banks with $100 million or less in assets has slid steadily, from a high of 1.15% in 1980 to 0.51% in 1986.

"There's been lots of hooting and shouting about the farm and energy belts," said Hoyt E. Wilkinson, managing vice president and partner in First Manhattan's Santa Monica office.

"What we found was that there were banks in the Farm Belt that were doing neither better nor worse than banks elsewhere. Good management was the key.

"We've got an awful lot of banks, and we don't have an awful lot of good bankers. Community banks have had the same share of winners and losers as other banks."

Mr. Wilkinson said the figures also show "that banking is becoming a fairly freely competitive business where economies of scale are not significant. What is significant is skill. Some very large banks have proved vulnerable, while some small banks are thriving."■

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COMMUNITY BANKS

The Top 100 US Community Banks

Based on the Return on Average Assets for the First Nine Months of 1987

Rank 9/87		Return On Avg. Assets 9/87	Return On Avg. Assets 1986	Return On Avg. Equity 9/87	Return On Avg. Equity 1986	Efficiency Ratio 9/87	Total Assets ($000) 9/87	Total Deposits ($000) 9/87	Deposit Gr. Rate 1982-87	Net Income ($000) 9/87	Net Income ($000) 1986	Full-time Empl. 9/87	Net Inc. Per Empl. ($000) 9/87	Net Inc. Per Empl. ($000) 1986
1	National Bank of Stamford, NY	3.61	4.11	18.62	22.20	6.57	61,694	44,043	82.2	1,639	2,215	21	104	96
2	Putnam County National Bank, Carmel, NY	3.47	3.22	20.42	18.96	25.77	87,221	71,444	111.0	2,113	2,226	49	57	45
3	McDowell County National Bank, Welch, WV	3.46	3.32	14.97	14.94	18.71	101,592	76,588	17.9	2,608	3,139	37	94	77
4	Bank of Horton, KS★	3.41	0.89	75.35	14.20	31.12	110,860	49,537	223.1	1,739	304	112	21	7
5	Citizens Bank, Delavan, WI	3.00	2.67	16.65	15.46	13.54	55,152	41,976	44.8	1,233	1,370	12	137	114
6	Pioneer Trust Bank NA, Salem, OR	2.95	2.30	23.27	21.08	-4.56	76,736	64,900	93.5	1,689	1,748	39	58	45
7	Peoples State Bank, Hamtramck, MI	2.93	1.98	15.48	11.14	20.60	120,172	95,685	22.6	2,638	2,285	41	86	54
8	Key Biscayne Bank & Trust Co., FL	2.89	3.46	20.93	25.20	17.58	104,968	88,907	76.4	2,264	3,248	43	70	81
9	Cecilian Bank, Cecilia, KY	2.83	1.19	17.30	7.57	25.67	54,282	44,524	53.5	1,109	576	28	53	21
10	Kentucky Farms Bank, Catlettsburg, KY	2.83	2.99	13.23	15.32	30.89	89,899	68,883	14.9	1,894	2,631	65	39	39
11	Fairburn Banking Co., GA★	2.79	2.40	29.17	25.17	33.24	62,113	54,053	125.0	1,210	1,182	47	34	26
12	Continental Bank of New Jersey, Laurel Springs, NJ	2.79	0.67	58.39	28.50	108.10	58,252	53,785	10.7	1,251	417	55	30	9
13	First National Bank, Palmerton, PA★	2.78	1.89	20.77	14.82	33.07	151,445	127,485	66.6	2,989	2,464	75	53	34
14	Barnes Banking Co., Kaysville, UT	2.77	2.94	17.29	18.91	22.31	71,096	58,604	68.2	1,395	1,780	30	62	54
15	Harlan National Bank, KY★	2.74	3.09	15.36	18.53	23.77	77,441	62,605	39.9	1,592	2,315	27	78	80
16	Peoples Bank of Bullitt County, Shepherdsville, KY	2.70	2.26	18.01	15.34	32.73	69,175	57,729	92.7	1,356	1,341	52	35	30
17	Citizens Bank, Fayette, AL	2.70	2.66	15.43	15.59	15.92	82,628	66,633	67.3	1,658	1,978	25	88	79
18	Hinesville Bank, GA★	2.63	2.32	21.18	20.35	28.39	63,711	53,479	59.7	1,274	1,424	58	29	22
19	Kislak National Bank, North Miami, FL	2.60	2.49	29.89	34.17	44.25	138,014	124,847	235.1	2,618	3,124	31	112	95
20	First Bank of Boaz, AL★	2.59	2.03	24.03	20.58	31.10	50,991	44,712	26.1	990	1,024	31	42	33
21	Wauchula State Bank, FL★	2.56	2.23	22.71	19.94	27.97	122,099	106,578	73.3	2,331	2,492	71	44	37
22	National Bank of Coxsackie, NY	2.56	2.62	21.80	23.99	27.62	63,502	55,119	116.5	1,142	1,435	33	46	42
23	First National Bank, Staunton, IL	2.53	2.09	16.36	14.27	24.72	79,298	62,875	46.6	1,445	1,482	35	55	41
24	First National Bank, Sylacauga, AL★	2.51	2.59	15.22	17.37	40.29	52,276	43,086	24.6	970	1,340	48	27	31
25	First National Bank, Pryor, OK	2.50	2.28	15.72	15.08	25.76	66,545	54,739	37.4	1,228	1,409	29	56	47
26	Kilbourn State Bank, Milwaukee, WI	2.47	2.21	16.13	14.49	23.10	71,717	54,078	68.8	1,274	1,387	24	71	69
27	Arp State Bank, TX	2.46	1.38	22.13	14.23	28.63	53,742	46,429	80.7	972	713	28	46	27
28	De Witt Bank & Trust Co., AR★	2.45	1.60	15.50	10.71	32.43	58,082	47,833	35.8	1,088	929	27	54	36
29	Citizens Bank, Carthage, TN	2.44	2.07	17.28	15.81	16.91	127,138	106,427	38.7	2,296	2,464	44	69	57
30	Bank of Alton, IL★	2.44	3.07	27.30	41.95	37.18	91,587	80,527	69.9	1,643	2,481	44	50	56
31	Union Bank of Mena, AR★	2.43	1.98	17.83	15.42	38.63	61,525	52,486	28.3	1,127	1,195	48	31	25
32	New Tripoli National Bank, PA★	2.42	2.10	16.32	14.03	27.80	59,341	50,126	81.0	1,029	1,062	22	62	62
33	Old Forge Bank, PA	2.41	1.83	22.61	19.27	40.43	85,496	75,274	2.1	1,508	1,503	38	53	40
34	Enterprise Bank of South Carolina, Ehrhardt, SC	2.39	2.04	19.36	16.08	31.90	50,581	43,376	142.9	878	833	37	32	26
35	First Bank of Oak Park, IL★	2.36	2.59	26.11	30.90	32.52	106,047	92,382	20.8	1,915	2,903	71	36	39
36	First State Bank, Athens, TX	2.36	2.03	21.74	19.21	-28.01	75,209	65,634	70.1	1,329	1,395	33	54	45
37	Union Bank & Trust Co., Lincoln, NE★	2.34	1.32	30.97	19.21	-14.19	155,293	134,435	141.2	2,640	1,812	531	7	11
38	Industrial State Bank, Kansas City, KS	2.34	-0.31	28.57	-3.60	26.75	163,838	144,522	16.8	2,981	-548	60	66	-7
39	Snyder National Bank, TX	2.32	1.13	15.67	8.96	32.13	93,401	77,008	18.7	1,686	1,130	39	57	28
40	National Grand Bank, Marblehead, MA★	2.31	2.25	23.26	23.55	19.09	113,568	100,706	188.3	1,908	2,160	47	54	51
41	Neffs National Bank, PA★	2.31	1.96	21.17	18.64	23.48	50,125	43,545	92.9	837	839	14	80	60
42	Farmers Bank, Greenwood, AR	2.30	2.13	19.15	19.07	27.47	51,529	44,757	50.6	854	974	20	57	49
43	Citizens Bank & TC of Grainger County, Rutledge, TN★	2.30	2.24	23.06	23.62	31.95	57,425	50,666	52.0	964	1,198	32	40	40
44	First National Bank, West Point, GA★	2.29	2.20	17.91	18.29	38.47	79,937	65,439	63.5	1,302	1,576	49	35	32
45	Sabine State Bank & Trust Co., Many, LA★	2.28	-3.19	30.73	-35.61	36.38	73,384	66,893	37.7	1,286	-2,455	78	22	-28
46	Great American Bank, Los Angeles, CA★	2.28	-3.93	25.53	-41.14	40.42	77,225	66,642	-29.9	1,493	-3,661	41	48	-72
47	Plaza Bank, Norridge, IL★	2.28	1.90	31.17	25.62	43.67	59,951	53,131	59.0	1,027	1,006	41	33	22
48	Merchants National Bank, Bangor, PA	2.28	2.16	18.12	18.58	23.94	88,215	75,863	32.7	1,494	1,795	25	79	72
49	Bank of La Grange Park, IL★	2.27	2.76	29.85	37.95	35.20	72,628	64,305	3.3	1,211	2,058	29	56	71
50	State Bank of Caledonia, MI	2.27	2.74	19.37	24.08	25.06	51,686	45,292	68.2	848	1,255	19	59	70
51	First Western Bank State, State Louis Park, MN★	2.26	2.06	25.83	25.21	22.97	93,646	83,481	93.9	1,592	1,851	42	50	44
52	Farmers State Bank, Conrad, MT★	2.26	2.26	12.43	13.72	24.85	68,974	55,308	16.8	1,190	1,566	24	66	68
53	First Enterprise Bank, Oklahoma City, OK	2.25	0.37	21.09	3.88	32.24	54,643	48,229	5.2	927	212	40	31	5
54	Bank of Southside Virginia, Carson, VA★	2.25	2.10	18.64	17.82	30.87	123,293	106,034	58.7	2,013	2,274	56	48	39
55	First State Bank, Bourbon, IN	2.25	1.06	15.26	7.89	24.01	53,357	44,352	38.2	887	519	13	91	40
56	First National Bank of Michigan, East Lansing, MI★	2.24	2.09	27.43	26.10	33.66	68,843	61,570	81.5	1,166	1,325	31	50	43
57	National Bank of Sallisaw, OK	2.24	1.11	17.79	9.37	30.74	61,422	52,884	36.8	1,010	646	35	38	18
58	Commercial State Bank, Wagner, SD★	2.23	1.86	16.88	14.59	27.72	56,186	47,444	25.1	922	980	18	68	54
59	First National Bank, Dryden, NY	2.23	1.89	20.39	17.78	32.29	53,734	45,882	44.8	869	908	25	46	36
60	Bank of La Fayette, GA★	2.22	1.81	17.79	14.86	39.23	78,378	66,348	62.2	1,290	1,297	51	34	26
61	Bank of Hiawassee, GA	2.22	2.11	21.04	21.29	31.86	55,246	48,702	68.9	892	1,023	33	36	34
62	First State Bank, Newcastle, WY★	2.22	1.51	19.32	13.27	34.83	54,324	47,288	29.9	888	735	24	49	29
63	Citizens Bank, Rusk, TX	2.21	2.33	17.31	16.98	31.57	56,365	47,357	77.4	896	1,011	15	79	63
64	Iuka Guaranty Bank, MS	2.20	2.15	20.90	21.24	28.18	67,867	59,606	56.6	1,086	1,249	36	40	38
65	West Texas State Bank, Snyder, TX	2.20	-5.10	40.27	-75.92	69.47	79,799	73,225	8.3	1,422	-4,896	53	36	-89
66	First National Bank, Avoca, PA	2.20	2.33	17.53	19.44	37.12	50,779	43,909	66.4	809	1,059	22	49	46
67	Bank of Canton, GA★	2.19	2.09	22.83	21.63	25.94	132,715	118,386	99.7	2,101	2,345	99	28	26
68	Brand Banking Co., Lawrenceville, GA	2.18	2.05	22.14	21.66	27.03	139,107	116,748	214.3	2,112	2,275	78	36	30
69	Centreville National Bank, MD	2.18	1.88	22.43	19.49	25.77	95,018	84,941	112.7	1,491	1,473	34	58	46
70	Franklin County National Bank, Brookville, IN★	2.17	2.10	20.00	19.74	30.18	65,991	57,292	33.6	1,079	1,293	34	42	39
71	First State Bank, Three Rivers, TX	2.17	2.22	13.60	15.33	36.30	51,968	42,411	29.7	841	1,121	26	43	43
72	Etowah Bank, Canton, GA	2.17	2.02	23.19	22.86	35.19	127,496	113,837	122.1	1,939	2,244	87	30	26
73	St Henry Bank, OH	2.17	1.51	18.10	13.41	24.12	65,410	56,353	65.3	1,042	907	10	139	53
74	Lincoln National Bank, Hamlin, WV	2.14	2.18	13.25	14.56	31.84	60,716	49,901	18.7	966	1,283	30	43	41
75	Byron Center State Bank, MI	2.14	2.37	17.04	19.76	33.33	90,134	77,633	94.9	1,361	1,815	47	39	39
76	Citizens Bank of Macclenny, FL	2.13	1.67	19.37	16.05	42.71	50,807	44,324	77.2	816	787	53	20	16
77	Home Trust & Savings Bank, Osage, IA	2.13	1.56	19.62	15.24	23.79	62,329	53,651	55.3	959	857	17	75	50
78	First National Bank, McMinnville, TN★	2.13	2.02	16.79	16.54	28.77	114,597	97,497	57.8	1,811	2,137	54	45	38
79	Bank of Prairie du Sac, WI	2.13	1.57	18.26	14.46	27.77	59,476	50,893	56.2	930	861	25	49	33
80	Citizens National Bank, Downers Grove, IL★	2.13	3.98	20.74	39.28	86.81	97,493	85,938	-3.4	1,608	3,701	43	50	84
81	Citizens & Farmers Bank, West Point, VA	2.12	1.96	19.34	17.99	35.72	125,751	107,980	82.0	1,952	2,142	72	36	31
82	Middleburg National Bank, VA	2.12	1.84	24.58	22.39	30.33	87,176	78,069	132.7	1,426	1,477	30	63	49
83	Denver National Bank, PA	2.11	2.00	14.89	14.36	21.56	133,833	111,516	65.5	2,088	2,413	33	84	75
84	First National Bank, Pontotoc, MS	2.11	2.02	15.42	15.78	21.52	83,790	71,085	49.2	1,294	1,554	42	41	41
85	Ozark Bank, MO	2.11	1.73	18.68	15.84	38.59	60,609	51,290	70.9	934	924	47	26	20
86	United American Bank, Memphis, TN★	2.09	1.98	28.02	29.70	55.48	148,725	133,177	15.9	2,398	3,035	116	27	27
87	Farmers State Bank, Sturgis, KY★	2.09	1.30	20.63	13.82	32.50	55,804	49,267	43.7	822	638	25	44	26
88	Peoples Bank of Unity, Plum Boro, PA	2.09	2.30	13.20	15.11	37.55	119,848	99,711	59.4	1,798	2,453	83	29	27
89	First National Bank & Trust Co., North Platte, NE★	2.09	0.84	20.39	9.00	25.76	86,011	74,988	-11.7	1,410	735	59	32	12
90	First National Bank, Jeffersonville, NY★	2.09	1.82	27.19	24.31	39.51	94,468	86,135	97.1	1,417	1,420	67	28	24
91	Business Bank, Vienna, VA★	2.09	1.40	21.72	17.56	23.96	60,326	50,625	342.4	1,096	963	38	38	28
92	Citizens Bank & Trust Co., Palmerton, PA	2.08	1.71	18.24	15.62	32.59	79,955	70,172	67.1	1,188	1,193	42	38	41
93	Bank of O'Fallon, IL	2.07	1.86	21.49	20.96	17.96	128,621	114,230	95.7	1,957	2,130	34	77	65
94	First National Bank, Albany, TX	2.07	1.84	14.80	13.35	28.95	53,029	44,860	89.3	804	871	22	49	40
95	First Security Bank, Searcy, AR★	2.07	2.04	20.10	21.37	25.39	113,110	98,626	33.5	1,758	2,258	61	38	37
96	George Mason Bank, Fairfax, VA★	2.07	2.05	26.19	27.88	32.32	129,731	111,554	249.1	1,946	2,194	58	45	44
97	Golden Valley Bank, A United Bank, MN	2.07	2.10	19.95	23.41	31.41	91,596	79,314	45.0	1,430	1,851	47	40	36
98	Community First Bank, Clearfield, UT	2.07	1.53	14.03	11.02	44.84	52,512	43,819	28.8	802	755	48	22	15
99	American National Bank, Schiller Park, IL★	2.06	2.09	25.85	29.80	33.24	70,817	63,622	114.9	1,069	1,324	31	46	40
100	Peoples Nat'l Bank of Susquehanna Cty., Hallstead, PA★	2.06	1.77	18.13	15.97	32.87	80,890	70,692	74.4	1,165	1,204	41	38	29

Source of data: ADP Data Services, New York, from its database of the federal regulatory reports of condition and income. **Community Bank:** As defined by American Banker, a community bank is an bank with Federal Deposit Insurance Corp. insurance that is independently owned, or owned by a one-bank holding company, and has assets between $50 million and $175 million on Sept. 30, 1987. **Returns on Average Assets and Average Equity Capital:** For 9/87, these ratios are calculated by annualizing net income for the first nine months of 1987 and dividing by average assets and average equity, respectively. The returns on average assets were calculated to three decimal places and then rounded to two decimal places. **The Efficiency Ratio** is net noninterest expense as a percentage of adjusted net interest income. It tells how much it costs the bank — in cents — to generate $1 of net interest income. **Deposit Growth Rate** shows the percentage change in deposits over the period Dec. 31, 1982, to Sept. 30, 1987. **Net Income Per Employee** is net income divided by the number of employees at the end of the period. To calculate net income per employee for 9/97, net income for the first 9 months of 1987 was annualized by multiplying it by 1.33. **(★)** — The bank is owned by a one-bank holding company.

COMMUNITY BANKS

Regional Breakdown of Top Community Banks

Listed Geographically by Region, with Return on Assets for the First Nine Months of 1987

		ROA 9/87
	New England Region	
40	National Grand Bank, Marblehead, MA★	2.31
	Midwest Region	
4	Bank of Horton, KS★	3.41
5	Citizens Bank, Delavan, WI	3.00
7	Peoples State Bank, Hamtramck, MI	2.93
9	Cecilian Bank, Cecilia, KY	2.83
10	Kentucky Farms Bank, Catlettsburg, KY	2.83
15	Harlan National Bank, KY★	2.74
16	Peoples Bank of Bullitt County, Shepherdsville, KY	2.70
23	First National Bank, Staunton, IL	2.53
26	Kilbourn State Bank, Milwaukee, WI	2.47
30	Bank of Alton, IL★	2.44
35	First Bank of Oak Park, IL★	2.36
37	Union Bank & Trust Co., Lincoln, NE★	2.34
38	Industrial State Bank, Kansas City, KS	2.34
47	Plaza Bank, Norridge, IL★	2.28
49	Bank of La Grange Park, IL★	2.27
50	State Bank of Caledonia, MI	2.27
51	First Western Bank State, State Louis Park, MN★	2.26
55	First State Bank, Bourbon, IN	2.25
56	First National Bank of Michigan, East Lansing, MI★	2.24
58	Commercial State Bank, Wagner, SD★	2.23
70	Franklin County National Bank, Brookville, IN★	2.17
73	St Henry Bank, OH	2.17
75	Byron Center State Bank, MI	2.14
77	Home Trust & Savings Bank, Osage, IA	2.13
79	Bank of Prairie du Sac, WI	2.13
80	Citizens National Bank, Downers Grove, IL★	2.13
85	Ozark Bank, MO	2.11
87	Farmers State Bank, Sturgis, KY★	2.09
89	First National Bank & Trust Co., North Platte, NE★	2.09
93	Bank of O'Fallon, IL	2.07
97	Golden Valley Bank, A United Bank, MN	2.07
99	American National Bank, Schiller Park, L★	2.06
	Mid-Atlantic Region	
1	National Bank of Stamford, NY	3.61
2	Putnam County National Bank, Carmel, NY	3.47
12	Continental Bank of New Jersey, Laurel Springs, NJ	2.79
13	First National Bank, Palmerton, PA★	2.78
22	National Bank of Coxsackie, NY	2.56
32	New Tripoli National Bank, PA★	2.42
33	Old Forge Bank, PA	2.41
41	Neffs National Bank, PA★	2.31
48	Merchants National Bank, Bangor, PA	2.28
59	First National Bank, Dryden, NY	2.23
66	First National Bank, Avoca, PA	2.20
69	Centreville National Bank, MD	2.18
83	Denver National Bank, PA	2.11
88	Peoples Bank of Unity, Plum Boro, PA	2.09
90	First National Bank, Jeffersonville, NY★	2.09
92	Citizens Bank & Trust Co., Palmerton, PA	2.08
100	Peoples Nat'l Bank of Susquehanna Cty., Hallstead, PA★	2.06

		ROA 9/87
	Southeast Region	
3	McDowell County National Bank, Welch, WV	3.46
8	Key Biscayne Bank & Trust Co., FL	2.89
11	Fairburn Banking Co., GA★	2.79
17	Citizens Bank, Fayette, AL	2.70
18	Hinesville Bank, GA★	2.63
19	Kislak National Bank, North Miami, FL	2.60
20	First Bank of Boaz, AL★	2.59
21	Wauchula State Bank, FL★	2.56
24	First National Bank, Sylacauga, AL★	2.51
28	De Witt Bank & Trust Co., AR★	2.45
29	Citizens Bank, Carthage, TN	2.44
31	Union Bank of Mena, AR★	2.43
34	Enterprise Bank of South Carolina, Ehrhardt, SC	2.39
42	Farmers Bank, Greenwood, AR	2.30
43	Citizens Bank & Trust Co. of Grainger County, Rutledge, TN★	2.30
44	First National Bank, West Point, GA★	2.29
54	Bank of Southside Virginia, Carson, VA★	2.25
60	Bank of La Fayette, GA★	2.22
61	Bank of Hiawassee, GA	2.22
64	Iuka Guaranty Bank, MS	2.20
67	Bank of Canton, GA★	2.19
68	Brand Banking Co., Lawrenceville, GA	2.18
72	Etowah Bank, Canton, GA	2.17
74	Lincoln National Bank, Hamlin, WV	2.14
76	Citizens Bank of Macclenny, FL	2.13
78	First National Bank, McMinnville, TN★	2.13
81	Citizens & Farmers Bank, West Point, VA	2.12
82	Middleburg National Bank, VA	2.12
84	First National Bank, Pontotoc, MS	2.11
86	United American Bank, Memphis, TN★	2.09
91	Business Bank, Vienna, VA★	2.09
95	First Security Bank, Searcy, AR★	2.07
96	George Mason Bank, Fairfax, VA★	2.07
	Southwest Region	
14	Barnes Banking Co., Kaysville, UT	2.77
25	First National Bank, Pryor, OK	2.50
27	Arp State Bank, TX	2.46
36	First State Bank, Athens, TX	2.36
39	Snyder National Bank, TX	2.32
45	Sabine State Bank & Trust Co., Many, LA★	2.28
53	First Enterprise Bank, Oklahoma City, OK	2.25
57	National Bank of Sallisaw, OK	2.24
63	Citizens Bank, Rusk, TX	2.21
65	West Texas State Bank, Snyder, TX	2.20
71	First State Bank, Three Rivers, TX	2.17
94	First National Bank, Albany, TX	2.07
98	Community First Bank, Clearfield, UT	2.07
	Western Region	
6	Pioneer Trust Bank NA, Salem, OR	2.95
46	Great American Bank, Los Angeles, CA★	2.28
52	Farmers State Bank, Conrad, MT★	2.26
62	First State Bank, Newcastle, WY★	2.22

The New England Region consists of the following six states: Connecticut (CT), Massachusetts (MA), Maine (ME), New Hampshire (NH), Rhode Island (RI), and Vermont (VT). **The Midwest Region** consists of 13 states: Illinois (IL), Indiana (IN), Iowa (IA), Kansas (KS), Kentucky (KY), Michigan (MI), Minnesota (MN), Missouri (MO), Nebraska (NE), North Dakota (ND), Ohio (OH), South Dakota (SD), and Wisconsin (WI). **The Mid-Atlantic Region** comprises Washington, D.C. (DC), Puerto Rico (PR), and the following five states: Delaware (DE), Maryland (MD), New Jersey (NJ), New York (NY), and Pennsylvania (PA). **The Southeast Region** comprises 10 states: Alabama (AL), Arkansas (AR), Florida (FL), Georgia (GA), Mississippi (MS), North Carolina (NC), South Carolina (SC), Tennessee (TN), Virginia (VA), and West Virginia (WV). **The Southwest Region** consists of the following six states: Colorado (CO), Louisiana (LA), New Mexico (NM), Oklahoma (OK), Texas (TX), and Utah (UT). **The Western Region** comprises 10 states: Alaska (AK), Arizona (AZ), California (CA), Hawaii (HI), Idaho (ID), Montana (MT), Nevada (NV), Oregon (OR), Washington (WA), and Wyoming (WY). **(★)** — The bank is a member of a one-bank holding company.

COMMUNITY BANKS

Summary of Survey Findings

Top 25 in Deposit Growth

		Deposit Growth 9/87	ROA Rank 9/87
1	Business Bank, Vienna, VA★	342.4	91
2	George Mason Bank, Fairfax, VA★	249.1	96
3	Kislak National Bank, North Miami, FL	235.1	19
4	Bank of Horton, KS★	223.1	4
5	Brand Banking Co., Lawrenceville, GA	214.3	68
6	National Grand Bank, Marblehead, MA★	188.3	40
7	Enterprise Bank of South Carolina, Ehrhardt, SC	142.9	34
8	Union Bank & Trust Co., Lincoln, NE★	141.2	37
9	Middleburg National Bank, VA	132.7	82
10	Fairburn Banking Co., GA★	125.0	11
11	Etowah Bank, Canton, GA	122.1	72
12	National Bank of Coxsackie, NY	116.5	22
13	American National Bank, Schiller Park, IL★	114.9	99
14	Centreville National Bank, MD	112.7	69
15	Putnam County National Bank, Carmel, NY	111.0	2
16	Bank of Canton, GA★	99.7	67
17	First National Bank, Jeffersonville, NY★	97.1	90
18	Bank of O'Fallon, IL	95.7	93
19	Byron Center State Bank, MI	94.9	75
20	First Western Bank State, State Louis Park, MN★	93.9	51
21	Pioneer Trust Bank NA, Salem, OR	93.5	6
22	Neffs National Bank, PA★	92.9	41
23	Peoples Bank of Bullitt County, Shepherdsville, KY	92.7	16
24	First National Bank, Albany, TX	89.3	94
25	National Bank of Stamford, NY	82.2	1

Top 25 in Net Income per Employee

		Net Inc. Per Empl. 9/87	ROA Rank 9/87
1	St Henry Bank, OH	139	73
2	Citizens Bank, Delavan, WI	137	5
3	Kislak National Bank, North Miami, FL	112	19
4	National Bank of Stamford, NY	104	1
5	McDowell County National Bank, Welch, WV	94	3
6	First State Bank, Bourbon, IN	91	55
7	Citizens Bank, Fayette, AL	88	17
8	Peoples State Bank, Hamtramck, MI	86	7
9	Denver National Bank, PA	84	83
10	Neffs National Bank, PA★	80	41
11	Merchants National Bank, Bangor, PA	79	48
12	Citizens Bank, Rusk, TX	79	63
13	Harlan National Bank, KY★	78	15
14	Bank of O'Fallon, IL	77	93
15	Home Trust & Savings Bank, Osage, IA	75	77
16	Kilbourn State Bank, Milwaukee, WI	71	26
17	Key Biscayne Bank & Trust Co., FL	70	8
18	Citizens Bank, Carthage, TN	69	29
19	Commercial State Bank, Wagner, SD★	68	58
20	Farmers State Bank, Conrad, MT★	66	52
21	Industrial State Bank, Kansas City, KS	66	38
22	Middleburg National Bank, VA	63	82
23	New Tripoli National Bank, PA★	62	32
24	Barnes Banking Co., Kaysville, UT	62	14
25	State Bank of Caledonia, MI	59	50

Deposit Growth Rate shows the percentage change in deposits over the period Dec. 31, 1982, to Sept. 30, 1987. **Net Income per Employee** is net income divided by the number of employees at the end of the period. To calculate net income per employee for 9/97, net income for the first 9 months of 1987 was annualized by multiplying it by 1.33. **(★)** — The bank is owned by a one-bank holding company.